

**INTERNAL AUDIT AND FINANCIAL PERFORMANCE OF SELECTED COMERCIAL
BANKS IN MOGADISHU SOMALIA**

BY

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**A DISSERTATION SUBMITTED TO THE COLLEGE OF ECONOMICS AND
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UNIVERSITY**

JUNE, 2019

DECLARATION

I declare that this research work in progress entitled internal audit and financial performance of selected commercial banks in Mogadishu Somalia is my original work and to the best of my knowledge, has not been submitted for any award at any academic institution.

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APPROVAL

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SUPERVISOR: DR. ELIAB BYAMUKAMA

Signature:.....

Date:.....

DEDICATIONS

I dedicate this piece of work to the almighty Allah who has enabled me to carry out research successfully and my beloved parents without for getting my dear siblings.

My sincere thanks go to my supervisor Dr. Eliab Byamukama his patience, guidance to ensure that this work is perfect.

I would also like to thank people who molded me to become what I am today through lessons and good advice they have given me. Thank you very much if it wasn't for you I don't think I would have achieved this.

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LIST OF ABBREVIATIONS

AFIIA	African Federation of Institutes of Internal Auditors
CIA	Certified internal audit
CBS	Central Bank of Somalia
IIA	Institute Internal Audit
NDICA	Royal Dutch Institute of Chartered Accountants
PSACF	Public Sector Audit Committee Forum's
SBA	Somali Banks Association

ABSTRACT

This study was set to find out the effect of internal audit system on Financial performance of commercial banks in Mogadishu, Somalia, three specific objectives guided this study and these were i) determining the effect of internal audit standard on the financial performance in commercial banks Mogadishu Somalia; ii) to establish the effect of professional competency on the financial performance in commercial banks Mogadishu Somalia and (iii) to identify the effect of internal control on Financial performance of commercial banks in Mogadishu Somalia. The study based on a cross sectional research design. Quantitative approaches were employed to conduct this study. The target population was 150. The sample size of the study consisted of 109 respondents from the target population. Secondary data was obtained from recorded documents, earlier studies and some publications on internal audit and financial performance of commercial banks in Mogadishu, Somalia, whereas some of the information was obtained from the internet. The coded data was entered into the Computer, checked and statistically analyzed using the statistical package for social scientists (SPSS) software package to generate descriptive and inferential statistics. Descriptive analysis was applied to describe the primary variable and associated indicator items related to the study objectives. The findings indicated that internal audit standard significantly affects financial performance of commercial banks in Mogadishu Somalia; there is a significant effect professional competency has on financial performance of commercial banks in Mogadishu Somalia; findings of this study proved a positive significant effect internal control has on financial performance of commercial banks in Mogadishu Somalia. The researcher concluded that; applying of internal audit standards as an internal auditing can lead to the improvement in the financial performance of commercial banks since it increases on the quality and efficiency during internal auditing, the financial performance of commercial banks can be improved once professional competency is effectively worked on because it helps to increase the customer responsiveness by reducing the demand gap thus giving satisfaction to the end customer by availing the desired financial services when needed, internal control should base on customer orders, sales forecasts and manufacturing policy in order to stimulate customer demand which leads to the improvement in the financial performance of commercial banks. It was recommended that; the commercial banks' owners should develop a good system to monitor, record and track all the business transactions so that there is effectiveness in internal auditing and ensure to cover loopholes in the system to enhance financial performance of commercial banks. The study contributed to knowledge by; providing evidence to support the fact that internal auditing can improve the state of financial performance of commercial banks in Mogadishu. The research gap that has been filled by this study, it is the fact that the study covered both the content and geographical gap of internal auditing and financial performance of commercial banks. Another important revelation that can be attributed to this study is that it is now clear that internal auditing is somehow lacking among commercial banks in Mogadishu Somalia, little is done through to improve financial performance of these banks in Mogadishu Somalia.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter contains of background of the study historical perspective, theoretical perspective, conceptual perspective, contextual perspective, problem statement, purpose of the study, research objective, research questions, hypothesis, scope, Geographical scope, content scope, time scope, and significance of the study.

1.1 Background to the study

1.1.1 Historical perspective

For the vast majority of its history internal audit has filled in as a basic managerial method involved essentially of checking records, tallying resources, and answering to Top managerial staff, the executives or Outer Examiners. As of late, be that as it may, a blend of various powers has prompted a tranquil upheaval of the calling. Associations need to show responsibility in the utilization of investor's cash and effectiveness in the conveyance of administrations. Associations currently request incredible competency and polished skill from internal audit, and rare assets must be conveyed all the more productively to limit and oversee dangers. Innovative progression makes it conceivable to follow and break down information with persistently expanding pace in this way making it fundamental for associations to be very much exhorted by the inner review office. Inner review fluctuates starting with one association then onto the next, and influencing change to present day internal audit to can be a significant endeavor. The progress from simply guaranteeing consistence with standards and controls to genuinely conveying included esteem requires something other than authoritative changes. In many bank establishments staff is inadequately paid and unmotivated, moral benchmarks are powerless, and administration rehearses are ineffectual prompting resource fumble (Ramamoorti, 2003).

Internal Auditing became very important to world businesses, since industrial revolution resulted in factory systems that were financed by stockholders. This situation

necessitated the need for internal auditing to protect shareholders' best interest. The central point and development of inside inspecting was the expanded range of control framework looked by the board in businesses (Institute of Internal Auditing Research Foundation, 2003). Today, in businesses worldwide, the internal audit becomes one of the operations of any organizations to achieve the objectives of organizations (Breedveld, 1991).

In Africa internal audit increased since its early inception in 1930, anyway internal audit reviews are not completely worked out (Giorgis, 2004). For instance in Ethiopia less consideration was given to operational reviews and in addition the utilization of present day procedures, for example, flowcharting, measurable inspecting, and PC examining. Besides the lion's share of inner review offices did not have a composed review sanction. In this way, the targets, specialist, extension, and duties of inside reviewing were explained in many associations, and no measures existed to guarantee that the inner review division was perceived as acting with the expert and support of senior administration. The African Federation of Institutes of Internal Auditors (AFIIA) was formed in 2009 to share information and address common concerns and issues (Richard, 2009).

In Somalia the commercial banks used to suffer loss of millions of dollars due to lack of good quality control system in relation to internal audit in banks and professional internal audit therefore most of Somali banks did not have effective and independence auditors (Somali banks association, 2009). Somalia has established industry taskforce which formulated the "Statement on Internal Control: Guidance for directors of commercial banks" to fulfil the circumstances on poor audit reports. The aim of this guidance was to assist commercial banks in making disclosures in their annual reports on the state of internal control, in compliance with the listing requirements of the banks. Pursuant to the requirements of the Code in relation to the Internal Audit Function, in May 2001, the Securities Commission appointed the Institute of Internal Auditors Somalia to establish a separate industry taskforce to formulate these

Guidelines to assist the banks in effectively discharging their responsibilities in relation to establishing an Internal Audit Function. Risk assessment, control environment, control activities, information and communication and monitoring were the five important characteristics in this guideline (Volosin, 2007).

1.1.2 Theoretical perspective

Agency Theory by Mitnick (1998)

The study was guided by the Agency theory developed by Mitnick (1998), Agency theory is disturbed with resolving the problems that can be present in agency interaction; between principals for example, company bankers, employees, executives and agents such as shareholders in the particular business. The main problems solves for that agency theory mentions the problems that occur when the needs of the principal and agent are in disagreement between them, agent theory should consolidate financial performance of the organizations and also is useful framework for designing governance and controls in the business (Adams 2012).

The Agency theory can accommodate more extravagant and increasingly important research in the internal audit discipline. Agency theory fights that interior inspecting, in the same manner as other intercession systems like monetary revealing and outside review, keeps up cost-effective contracting among proprietors and directors. Office hypothesis may not just clarify the presence of inside review in associations yet can likewise help clarify a portion of the qualities of the inward review division, for instance, its size, and the extent of its exercises, for example, monetary versus operational evaluating. Office hypothesis can be utilized to test observationally whether cross-sectional varieties between inner inspecting rehearses mirror the distinctive contracting connections exuding from contrasts in hierarchical frame (Adams, 1994).

Contingency Theory by Fred Edward (1964)

The Contingency Theory developed by Fred (1964) Contingency Theory is used the effectiveness of an internal audit in the business to safe the accuracy of a company's information, is set policies, practices and measures of business that take the decisions of the business operations. contingency theory provide the business to measure risk management, avoiding ineffective operations in the business that creates less financial performance so this theory is very important to the business to get financial responsibility in the business, internal audit standards can authorize audits in other areas such as safety of organizations (Kaplan 2014).

The contingency theory of leadership and the executives expresses that there is no standard technique by which associations can be driven, controlled and oversaw. Associations and their capacities rely upon various external and internal factors. The elements of reviews are themselves, kinds of associations that are influenced by different factors in the earth. The nearness of such factors is the reason evaluating can be overseen by applying the possibility hypothesis, with an acknowledgment that procedures and results of reviews are subject to variable and unforeseen components (Volosin, 2007).

1.1.3 Conceptual perspective

Robertson (2016) outlined Internal Auditing as associate degree freelance, target confirmation relate degreed counseling movement intended to include esteem and enhance an association's tasks. It enables an association to achieve its targets by transportation a logical, trained way to deal with assess and enhance the adequacy of hazard the board, control, and administration process (Arnold, 2012). Internal audit involves a self-determining assessment purpose recognized within an organization to examine and evaluate the effectiveness, efficiency and economy of managements to control system and accomplish the business the set of objectives.

Internal Audit work gives crucial confirmation to a bank's governing body and senior administration and bank supervisors with regards to the nature of the bank's internal audit system. In doing as such, the capacity diminishes the danger of misfortune and

reputation harm to the bank. Internal audit also provide management with information on the effectiveness of Risk management, governance processes and Control assurance to control the operation of the banks and create financial performance.

Tumwine (2011) defined financial performance as to how organizational financial resources are controlled and utilized through efficient budget management and accountability to achieve organization goals and objectives. One of the strategies adopted by organizations to ensure better financial performance is internal auditing (Seguya, 2015).

Financial performance: plays important to growth the Organizations and operate in a dynamic environment in this case, financial performance is defined as an a subjective measure of anyway well a firm will utilize resources from its essential method of business to create incomes. However for the case of this study internal auditing will be looked at in terms of audit standard, professional competency and internal control, whereas financial performance (dependent variable) will be measured in terms of profitability, solvency and liquidity.

1.1.4 Contextual perspective

The internal audit purpose can be recognized as concerning three major basics, that is to say the assessment and development of risk management, control and authority processes in a business. Risk management, control and governance encompasses the policies and procedures recognized to ensure the accomplishment of goals and comprise the suitable appraisal of risk, the professional competency provides the administration reports and truthful information to that the administration they come to a decision the behavioral and principled standards set for business value and workers. This study however, focused on internal audit standard, professional competency and internal control to establish how each of these relates with financial performance of selected banks in Mogadishu, Somalia, Panday, 1996 Mogadishu Somalia, in our best awareness, the role of internal audit system in Mogadishu banks looks to be unclear.

So, this study will investigate the effects of internal audit on financial performance in selected banks in Mogadishu, Somalia.

The commercial banks in Mogadishu Somalia is portrayed by the levels of asset base, revenue growth, and the level of customer satisfaction According to Central Bank of Somalia CBS (2014) Supervision Report as of December 2014, there are 6 commercial banks in Mogadishu Somalia. The banking structure in Mogadishu is generally oligopolistic with less than 6 commercial banks controlling 75% of the market share. This has created intense competition for revenue. Further, commercial banks have high-cost structure with operational costs averaging about 56% of their revenue per annum (CBS, 2014).

The study was conducted from selected commercial banks in Mogadishu Somalia In spite the guidelines set out by Central Bank of Somalia (CBS) in accordance with the Banking Act Cap, there are some banks failures in performance due to the fraud and lack of elaborate internal audit, According to the commercial banks in Mogadishu Somalia mostly of them failure regulating effective internal audit practice related international standard to avoid risks and financial crisis, Management of this company thought that by carrying out their roles, internal audit would be to confirm safety of the company information, and avoid misuse or misappropriation of company's assets and at the same time detect and safeguard against probable frauds. However, this objective has never been achieved and indeed indicators of poor financial performance have continued to prevail in this company. This was evidenced in the Central of Commercial Bank audit report (2015) which revealed that the company still struggles with several financial irregularities involving financial frauds, poor financial performance, misuse of company's resources and budgets are not managed following the rules and regulations. Therefore the researcher will establish why this company continues to face such problems despite putting in place a number of internal audit practices.

1.2 Statement of the Problem

Internal audit plays important role the commercial banks to achieve the company objectives creating a organized way, to assess and progress the effectiveness of financial threat management, organize activities, avoid internal fraud and financial crisis, the internal audit assessment evaluates the risks relates to the organization's operations, activities and financial crisis. The internal audit systems are anticipated to provide improvement the performance of the financial organizations to achieve the organization goals and objectives (Chepkorir 2010).

The commercial Banks in Mogadishu Somalia has been numerous cases of banks failure in performance due to the lack of appropriate based on auditing practices hence effective and efficient of internal audit. The commercial banks governance has failed to play an significant position on bank strength, improve performance and bank's ability to provide liquidity in difficult market conditions and that influenced some banks i.e. Incorrect financial statement, loss of the company's assets, stealing vital documents, unreliable financial records and finally calliopes. The commercial banks' internal audit has not effectively helped to accomplish the goals and the goals by taking a arranged, qualified method to appraise and progress the effectiveness of risk organization, control, and governance processes (World Bank, 2016). However due to the challenges mentioned, this is what tempted the researcher to carry out a study on internal audit and financial performance of commercial banks in Mogadishu Somalia.

According to the Commercial banks the possible way to overcome less financial performance and financial crises due to the fraud are to develop new strategies of Internal Audit that increase profitability and reduce the operating costs. One of the measures is having effective internal Audit systems provide appropriate strategies of minimizing operational costs for maximum profits. The systems support employees in the achievement of the banks' financial goals by responding to significant business, operational, financial, compliance and other risks. The controls are designed in a way that safeguards the banks from fraud and losses and ensures a secure liability management (Ekut, 2011).

1.3 Purpose of the Study

The purpose of this study was to investigate the effect of internal audit on financial performance of selected commercial banks in Mogadishu Somalia.

1.4 Specific Objectives

- i To determine the effect of internal audit standard on the financial performance in commercial banks Mogadishu Somalia.
- ii To establish the effect of professional competency on the financial performance in commercial banks Mogadishu Somalia.
- iii To identify the effect of internal control on the financial performance in commercial banks Mogadishu Somalia.

1.5 Research Questions

- i What is the effect of internal audit standard on the financial performance in commercial banks Mogadishu Somalia?
- ii What is the effect of professional competency on the financial performance in commercial banks Mogadishu Somalia?
- iii What is the effect of internal control on the financial performance in commercial banks Mogadishu Somalia?

1.6 Research Hypotheses

Ho₁. Internal audit standard has a significance effect on the financial performance in commercial banks Mogadishu Somalia.

Ho₂. Professional competency has a significance effect on the financial performance in commercial banks Mogadishu Somalia.

Ho₃. Internal control has a significance effect on the financial performance in commercial banks Mogadishu Somalia.

1.7 Scope of the study

1.7.1 Geographical Scope

The study was carried out from Mogadishu, Somalia. The study was carried out from the three selected commercial banks in Mogadishu such as Dahabshiil bank, Premier bank and International, bank of Somalia (IBS). Mogadishu is the largest city in Somalia and the nation's capital located in costal Banadir region on the Indian Ocean, the city has served as important port for centuries the study is chosen from the areas due to notable internal audit challenges in that faced by the commercial banks.

1.7.2 Content Scope

This study examined independent variable as internal Audit and financial performance as the dependent variable of selected commercial banks in Mogadishu Somalia. The independent variable (internal audit) was measured in terms of Audit standard, Professional competency and internal control as the main factors attributes or elements under internal auditing whereas the financial performance (dependent variable) is measured in terms of profitability, solvency and liquidity.

1.7.3 Time Scope

The study covered a period of 9 Months that is to say from July 2018 to March 2019 to enable the researcher to get data in depth and secondary data was collected from the period ranging 2014 to 2017, This period is selected because it is with this time that most Somalia commercial banks faced several financial performance difficulties as evidenced in the World Bank report (2017).

1.8 Significance of the Study

The study will benefit the commercial banks in Mogadishu Somalia by assuring them the appropriate processes are functioning effectively to monitor the risks to which the company is exposed and that the system of internal Audit is effective in reducing those risks to an acceptable level.

Secondly, the research would benefit the bank's intuitions management in accounting develop the operations and the activities of the banks also increase the performance of

the financial the system of internal audit and for provide a systematic way to solve the problem of fraud and to assess financial crises of the banks.

Third, the results of the findings would be used by the employees to in improving their financial performance through effective implementation of the internal audit systems and processes.

Fourth, the study would help researchers and academicians to expand their research into the effect of internal audit on financial performance (both public and private) in Somalia as a literature review.

1.9 Operational Definitions of Key Terms

Internal audit standard is a official documents that defines the internal audit process, to establishes the internal audit standard within the organization, including the natural history of the organizations and reports with relationship with the board; to access to records in formations, and physical properties relevant to the financial performance of organizations and defines the range of internal audit standard provides Code of Ethics.

Professional competency is a self-determining of internal audit that evaluates the financial standard of the organization to assess and improve an organization's operations activities. It also helps an organization to achieve its goal by providing a systematic way, closely controlled way of the effectiveness of risk assessment, The Internal Audit Standards contains the Code of Ethics and the Professional Practice issued by the worldwide specialized.

Internal Control a process that defines the assessment of the risks of the internal systems that the organization toward to confirm recommendation of the organization are correctly accepted out suitable and precise certification of the business that helps to establish how the inside manage systems are to be implemented.

Profitability is the capability of business earn a profit and also the business generates after it pays all expenses directly related to the generation of the revenue such as producing the product and other expenses related to the conduct of the business activities.

Solvency is solvency Measures Company's ability to meet the financial obligations in short term solvency is often measured by the current ratio which is calculated by dividing current assets by current liability, long term solvency is evaluated using the solvency ratio which divides the company's net worth by its total assets.

Liquidity is the degree to which an asset or security can be quickly bought or sold in the market without effecting the asset's price, liquidity measures the ease with which an individual or company can meet their financial obligations with liquid assets available with them.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter contains shows all the literature that was used in this study, this section first presents the theoretical review, conceptual framework, and literature review according to objectives for related studied on the internal audit and financial performance of selected commercial banks in Mogadishu Somalia.

2.1 Theoretical review

Agency Theory by Mitnick (1998)

The Agency theory contends that internal auditing just the same as other intercession instruments like budgetary revealing and inner review keeps up cost-proficient contracting among proprietors and chiefs. Office hypothesis can be utilized to test exactly whether cross-sectional varieties between inner examining rehearses mirror the diverse contracting connections radiating from contrasts in authoritative shape. Office hypothesis may not just clarify the presence of inward review in associations however can likewise help clarify a portion of the attributes of the interior review division, for instance, its size, and the extent of its exercises, for example, money related versus operational examining (Adams, 1994).

Agency theory stated that can accommodate more extravagant and more significant research in the inward review train. Office Agency theory battles that inner evaluating, in the same way as other mediation components like monetary revealing and outer review, keeps up cost-proficient contracting amongst proprietors and supervisors. Office Agency theory may not just clarify the presence of interior review in associations yet can likewise help clarify a portion of the attributes of the inside review office, for instance, its size, and the extent of its exercises, for example, monetary versus operational examining. Office Agency theory can be utilized to test observationally whether cross-sectional varieties between inside examining rehearses mirror the diverse contracting connections exuding from contrasts in hierarchical frame.

Contingency Theory by Fred Edward (1964)

The Contingency Theory by Fred Edward (1964) indicates that on a wide dimension, the review procedure is direct. Examiners expect access to records, frameworks, strategies and systems to deal with a review. They should stay consistent with industry models, government controls and inner solicitations. Review groups may start the review procedure with gatherings where they assemble hazard and control mindfulness, after

which the field work starts. Amid the review procedure, inspectors perform substantive systems and test controls. They at that point draft reports that they submit to the executives and administrative specialists. The review sub forms, especially in arranging and field work, incorporate possibilities, for example, business type, worker ability level, relevant laws, accessible review workforce, accessible innovation and frameworks, and due date (Ljubisavljevic and Jovanovi, 2011).

The objective of a review of contingency theory is to test the unwavering quality of an organization's data, strategies, practices and techniques. Government controls necessitate that specific money related establishments experience autonomous monetary reviews, yet industry gauges can command reviews in different territories, for example, security and innovation. Notwithstanding the review subject, different components affect an organization's last outcomes, and the possibility hypothesis considers these variables amid the review procedure. The possibility hypothesis of initiative and the board expresses that there is no standard technique by which associations can be driven, controlled and oversaw. Associations and their capacities rely upon different outer and inner elements. The elements of reviews are themselves, sorts of associations that are influenced by different factors in the earth. The nearness of such factors is the reason evaluating can be overseen by applying the possibility hypothesis, with an acknowledgment that procedures and results of reviews are reliant on factor and unforeseen components (Odia, 2014). Review groups utilize a blend of structure and possibility to take care of business rapidly. The subject of reviewing undertakings can incorporate such different regions as assessment of creation forms, investigation of organization records, and evaluation of consistence with industry principles. Choosing inspectors with specific preparing or the individuals who have a specific range of abilities in the branch of knowledge limits the expectation to absorb information and diminishes open doors for mistakes. The quality and yield of reviews stay guaranteed when review groups use assets as indicated by ability and encounter, and when evaluators are adaptable and can adjust to process changes. For instance, a reviewer experienced in assessing monetary instruments can be successful in a review

exercise of a bank or fence investments, notwithstanding when the money related instruments the organization offers don't fit the average form (Davoren, 1994).

Daft (2012) argued that contingency shows that one thing relies upon different things, whereby review capacities are assignment situated and can be inexactly organized. The capacities additionally can differ extensively, contingent upon the region of an organization under review and the sort of plan of action, so examiners should cautiously deal with their assessments and consider taking care of business. The possibility hypothesis likewise can be connected to a review group's structure. Commonly, review group supervisors get review ventures. They at that point make specially appointed review groups for the ventures, choosing inspectors dependent on ability and involvement in the branches of knowledge, and on reviewer accessibility, all of which indicate possibilities for some random review venture.

Lending Credibility Theory by Limperg (1920)

Volosin, (2007) referenced that the lending credibility theory is like the office hypothesis and it expresses that reviewed budget summaries can improve partners confidence in the board's stewardship. The business world comprises of various gatherings that are influenced by, or take an interest in, the money related detailing necessities of the administrative offices. They are investors, directors, leasers, workers, government and different gatherings. The real beneficiaries of the yearly reports are the speculators, joining individuals with decently small shareholding and broad establishments, for instance, banks or protection organizations. Their decision is normally established on the cash related enumerating and the execution of the organization's administration, who have a duty to act in light of a legitimate concern for speculators.

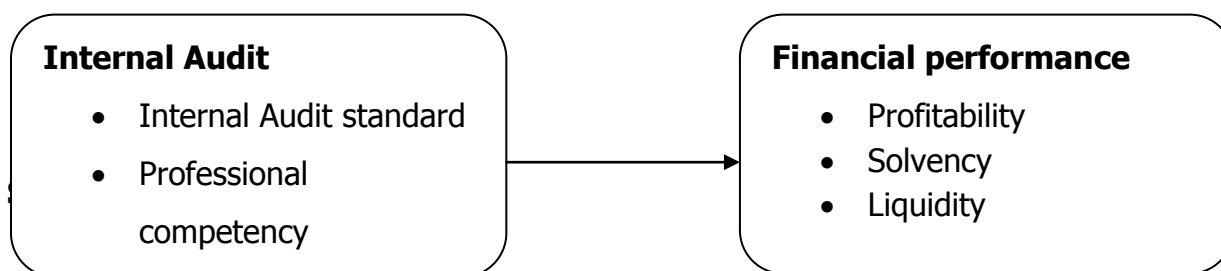
Thus the purpose of the financial statements this theory derives from another public perception that the primary function of auditing is the addition of credibility to the financial statements. Audited financial statements are used by management to enhance the stakeholders' faith in management's stewardship. If stakeholders such as

stockholders, government, or creditors have to make their judgments based on the information they receive, they must have faith that this is a fair representation of the economic value of the firm. An audit thus reduces the “information asymmetry” between management and other stakeholders. However, there is an efficient markets theory that holds that audited information does not form the primary basis for investors’ investment decisions (Enofe, 2013).

The internal audit is named by the association's financial specialists and reports his results to his clients. The purpose of the evaluator's report is to comment on how decisively the association shows its cash related condition and how it is performing. This ought to promise the investors that their speculation is anchored and furthermore help to decrease the act of deluding bookkeeping techniques intended to demonstrate the organization in a progressively positive light. Fundamentally, the review is spoken to as a procedure intended to assess the validity of data of an organization's fiscal summaries (Letza, 1996).

2.2 Conceptual framework

Figure 1.1: Conceptual frameworks showing the effect of internal Audit on financial performance



The conceptual framework above shows the effect of internal auditing on financial performance in commercial banks. It determines the measures that can be based on to evaluate the financial performance of enterprises. In the figure, internal auditing represents independent variable and financial performance as the dependent variable. The independent variable (internal audit) is measured in terms of Audit standard, professional competency and internal control as the main factors attributes or elements

under internal auditing, whereas the financial performance (dependent variable) is measured in terms of profitability, solvency and liquidity.

Internal Audit is a target and free examination benefit inside an association on hazard the executives, control and administration by estimating and assessing their adequacy in accomplishing the association's concurred goals. Moreover, inward review's discoveries are useful to the Board of Directors and line the executives in the examined regions. The administration applies the expert abilities of inside review through efficient and restrained assessment of the approaches, methods and activities that administration set up to guarantee the accomplishment of the association's destinations, and through suggestions for development (Dumitrescu, 2004).

2.3 Review of Related Literature

The review of related literature was presented following the study objectives;

2.3.1 The effect of internal audit standard on the financial performance

According to Kaplan (2008), failure to have effective internal audit standard could lead to financial collapse of an organization. The Internal Audit standard function is often charged with the responsibility of monitoring the internal audit system where they examine the controls and control system; identify where controls have failed so that these failures can be rectified and also make recommendations to management for new and improved systems (Kaplan, 2008). However, Kaplan (2008) simply focused on explaining how internal auditors carry out monitoring without showing how and to what extent it relates with financial performance of organisations.

The internal audit standard gives affirmation that the discoveries of reviews and different audits are quickly decided (Theofanis et al, 2011) and also helps to determine whether or not policies and procedures designed and implemented by management are being carried out effectively by employees (Ndamenenu, 2011). However, Ndamenenu (2011) looked at monitoring as a component of Internal audit standard and Its Contributions to Organizational Efficiency and Effectiveness in Somalia yet the current

study looked at monitoring as a component of internal auditing standard and how it relates with financial performance of selected commercial banks in Mogadishu Somalia.

Different methods used to measure financial performance as indicated by Needles, (2011) include; Profitability – return on investment (ROI), earnings before interest and tax (EBIT), gross profit margins. Growth - market share growth, Sales Growth. Efficiency – return on sales (ROS), return on equity (ROE). The current study was different from Arnold, (2012); Tumwine (2011) and Needles, (2011) since it was conceptualized financial performance to be involving profitability, solvency, and liquidity in the company. In this case, profitability was defined in terms of a company's ability to earn a reasonable profit on the owner's investment, liquidity is the extent to which a company has cash to meet immediate and short-term obligations, or assets that can be quickly converted to do this while solvency refers to the ability of a company to meet its long-term financial obligations.

Several studies have been conducted to demonstrate the role of internal auditing standard on financial performance of organisations. According to Seguya (2015), all components of Internal Audit standard Function including internal control, risk management processes and corporate governance processes have a significant positive effect on management of public funds. However, Seguya (2015) left a content gap that was filled by the current study since his study focused on internal auditing and Management of public Funds in a public sector yet the current study focused on internal auditing and financial performance of a private company in Somalia

In a study conducted among 6 small and medium commercial banks in Mogadishu Somalia, Ljubisavljević & Jovanovi (2011) observed that internal audit standard makes a great involvement to the accomplishment of business goals, and the execution of strategies for their accomplishment. However, Ljubisavljevic & Jovanovi (2011) left both content and contextual gaps since they made their observations in reference to internal audit and achievement of company goals moreover among small and medium

commercial banks in Somalia yet the current study was conducted on internal auditing and financial performance in the context of selected commercial banks in Mogadishu Somalia.

Hutchinson and Zain (2009) also who aimed to explore the relationship between internal audit standard creates excellence audit, practice and bookkeeping requirement and firm presentation ROA shows a tough correlation between internal audit and financial performance with opportunities of high development and that this optimistic link is decreased by the increasing of internal audit standard. However, Hutchinson and Zain (2009) also left both content and contextual gaps since they focused on internal audit quality and firm performance moreover in Somalia yet the current study was conducted on internal auditing and financial performance in the context of selected commercial banks in Somalia.

Odia (2014) observed that internal auditors play an important role in strengthening accountability and good governance by helping various organisations to improve performance, enhance transparency, ensure accountability, fight corruption, promote public trust and foster the efficient and effective receipt and use of resources. However, Odia (2014) also left both content and contextual gaps since he focused on performance auditing and commercial sector accountability moreover in Somalia yet the current study was conducted on internal auditing and financial performance in the context of selected commercial banks in Mogadishu Somalia.

A study conducted by Enofe et al., (2013) also revealed that internal audit standard play key role in ensuring effective management in Commercial intuitions, and that there is the need for today's auditors to acquire the requisite technique and skills in computer operations and electronic data processing in order to carry out their work effectively to continually support their effectiveness. However, Enofe et al., (2013) also left both content and contextual gaps since they focused on the role of internal audit in effective management in the Commercial intuitions yet the current study was conducted on

internal auditing and financial performance in the context of a private profit oriented company known as selected commercial banks in Mogadishu Somalia.

2.3.2 The effect of professional competency on the financial performance

Distinguishing extortion is a testing undertaking. Culprits effectively take part in misdirection trying to hide their conduct, evaluators may have restricted involvement in extortion identification, and false exercises are naturally capricious and hard to identify (Kaplan et al., 2014). Henceforth, the association would be ideally served by distinguishing and using those people who, since they seem to share certain remarkable identity attributes or qualities, might be most appropriate to the extortion identification assignment. For instance, Uecker et al. (2015) utilized impression of relative forcefulness among inward and outside examiners to research the discovery of corporate anomalies. Interior inspectors assume an imperative job in extortion location with most fakes recognized by the inner review work. Because of the significance of compelling extortion discovery, any estimates that can improve the viability of reviewers ought to be of regard. While experience and limit are clearly basic in the acknowledgment strategy, certain individual characteristics may be farsighted of the capacity to perceive deception. Perceiving how overseers are seen, and how these observations lead to feelings in regards to their discovery capacities, is a vital initial phase in relating identity attributes to the adequacy of examiners (Norman et al., 2016).

Asare (2009) stated that the meaning of professional competency function can be recognized as concerning three major basics, that is to say the assessment and development of risk management, control and authority processes in a business. Risk management, control and governance encompasses the policies and procedures recognized to ensure the accomplishment of goals and comprise the suitable appraisal of risk, the professional competency provides the administration reports and truthful information to that the administration they come to a decision the behavioral and principled standards set for business value and workers. However, this study was different from Asare (2009) since it focused on professional competency and internal

control role of internal auditing to establish how each of these relates with financial performance of selected commercial banks in Mogadishu Somalia.

The process professional competency involves an assessment of the risks that the organization faces, recommendation of the controls required to mitigate those risks and evaluation of the trade-offs essential for the business to achieve its tactical and operational goals (Asare, 2009). The institute (IIA, 2009) states professional competency action be of regard. While experience and limit are clearly basic in the acknowledgment strategy, certain individual characteristics may be farsighted of the capacity to perceive deception. Perceiving how overseers are seen, and how these observations lead to feelings However, Asare (2009); IIA (2009) simply focused on defining risk assessment and its components without showing how and to what extent it relates with financial performance of organisations.

Hass et al. (2006), the literature review of professional competency are very important the commercial banks to avoid financial crises and increase integrity, also noted that internal audit must not only be capable to evaluate threat in their huge business, but they must also be capable to finish compound threat analyses in their own IAF. The authors in addition integrated, achieving internal audit want to acquire rising levels of serious thoughts, investigation, decision making and judgment of the business. However, Hass et al. (2006) simply focused on identifying the prerequisites to effective risk assessment by auditors without showing how and to what extent risk assessment relates with financial performance of organisations.

The banks transactions and operation they require for professional competency suitable for risk running strategies in the commercial banks sector emanates from the difficulty and dynamism of the operating locations, rising needs of people united with general unpredictability pattern and decreasing of wealth for national development (Asare, 2009). The author further noted the internal auditor's function in risk financial management concerning evaluating and monitoring the threat that the business faces,

recommending the controls essential to moderate those risks and evaluating the trade-offs necessary for the organization to carrying out its strategic and prepared goals. However, Asare (2009) simply focused on identifying the internal auditor's role in risk financial management and evaluation moreover in the business without presentation how and to what extent financial estimation relates with financial performance of organisations among commercial banks owned companies like selected commercial banks in Mogadishu Somalia.

A study conducted by Otieno and Oima (2013) indicated that staff awareness of the risk assessment process and its objectives had the least mean implying that the respondents believe that one of the reasons for ineffectiveness of the internal audit systems is the fact that not all employees are aware of the risk Assessment process. But Otieno and Oima (2013) study only revealed the role of staff awareness on effectiveness of risk management moreover among public enterprises without showing how and to what extent risk assessment relates with financial performance of organisations especially privately owned companies like selected commercial banks to ensure the important to have professional competency on the financial performance in the commercial banks. The content and contextual gaps left by Otieno and Oima (2013).

In a study conducted in Somalia about internal audit in Mogadishu commercial banks, Singh (2015) revealed that effective risk management was critical to any bank for achieving financial soundness. However, Singh (2015) carried out his study among commercial banks moreover in Somalia yet the current study was carried out in a manufacturing company in Somalia. In Ogboi and Unuafe (2013) conducted a study on Impact of Credit Risk Management and Capital Adequacy on the Financial Performance of Commercial Banks concluded that bank's financial performance had been affected by sound credit risk management and capital adequacy. However, Ogboi and Unuafe (2013) also carried out their study among commercial banks moreover the current study was carried out in Commercial banks in Mogadishu Somalia. The current study

therefore sought to fill the contextual gaps left by Singh (2015) and Ogboi and Unuafé (2013).

Mutebile (2010) also noted that commercial banks need to improve their financial risk management capabilities in order to survive the ever changing banking environment must implement professional competency to avoid of these issue of risks Okaro (2013) also noted that proper risk management is essential for the survival of a bank, and it enables management to allocate resources to risk units based on a tradeoff between risk and return potential. However, Okaro (2013) carried out his study among commercial banks moreover the current study was carried out in Commercial banks in Mogadishu Somalia. The current study also sought to fill the contextual gaps left by Okaro (2013).

Professional competency is the review of an organization's activities and transactions i.e. the Internal audit System to assess the quality of performance over time and to determine whether controls are effective (DiNapoli, 2007). It evaluates the value of the system's concert over time, which includes continuing monitoring actions, take apart assessing or a combination of the two (DiNapoli, 2007). The purpose Professional competency is to; understand and assess financial and management systems and capabilities, ensure compliance with rules, regulations, and requirements, safeguard state funds against fraud, waste, and abuse, help identify potential audit issues, identify technical assistance and training needs, identify needed improvements and follow up on issues or corrective actions (Bonnie, 2008).

2.3.3 The effect of internal control on the financial performance

Internal Control refers to the general approach, alertness and events of directors and administration concerning internal controls and their importance in the business performance (Millichamp, 2009). Elements of the internal control are; the personal and professional integrity and ethical values of management and staff, appropriate culture in the organization, attitude towards internal control throughout the organization;

commitment to competence; the "tone at the top" (i.e. management's philosophy and operating style); a good organizational structure (an independent Internal control function and segregation of duties), set up proper authorization limits; and human resource policies and practices (Kaplan, 2008). However, Millichamp (2009); Kaplan (2008) simply focused on defining internal control and its elements without showing how and to what extent it relates with financial performance of organisations.

Asare (2009) states that internal control as a control determine does not only reduce the opportunities for dishonesty through the confirmation of procurement process but also ensures effective substantial monitoring of wealth substance procured and actual consumption to keep away from fraud and financial crises. In addition to these, internal control has played a dynamic role in executing useful authority and controls while being asked to review the usefulness of management's direct practices. In the context of authority, the important actions of internal control with respect to control is that to ensure controls in place to address key business threats (Hermanson et al., 2003). However, Hermanson et al., (2003) made these observations in reference to internal control and organizational performance yet the current study looked at how internal control relates with financial performance of selected commercial banks in Mogadishu Somalia.

Whittington and Pany (2001) take note of that the interior control puts the nature of the business by impacting the control aware of association. They had further declare the internal control is seen as the inner control factors incorporate; genuineness and principled gauges of staff responsible for making, associations, and checking the controls, commitment and capacity of people performing allocated obligations, or internal audit committee, administration viewpoint and working style and business arrangement, which may be a well-organized. However, Whittington and Pany (2001) only highlighted the factors associated with internal control without going ahead to show how such factors affect performance of an organization. This study was therefore

conducted to fill this gap by revealing the relationship between internal control and financial performance in the context of selected commercial banks.

Jenny and Pamela (2006) affirm that an administering board and the executives improve an association's interior control when they build up and adequately convey composed strategies and methods, a code of morals, and norms of lead. They additionally upgrade the inside control when they carry on in a moral way - making a positive tone at the best – and when they necessitate that equivalent standard of direct from everybody in the association. However, Jenny and Pamela (2006) study was carried out among American companies yet the current study was carried out in Somalia. This also necessary the need for the in progress study to expose the correlation between internal audit and financial performance in the selected commercial banks in Mogadishu Somalia.

Okwach (2000) saw that under a controls domain, the hierarchical individuals use the accessible assets productively and adequately thus, accomplishing the normal authoritative execution. Okwach (2000) further views internal control as an enabler of execution of tasks by organization members as set by the board members and departmental managers through attitudes and actions that encourage the highest level of integrity, appropriate leadership philosophy, operating style and personal and professional standards, thereby leading to reasonable compliance and operational efficiency levels. However, Okwach (2000) carried out his study among public universities moreover in Somalia yet the current study was carried out in a privately owned commercial banks in Somalia. Internal control helps toward reducing the level fraudulent activities within organizational operation also the quality of an entity's internal controls system depend on the function and quality of their internal control (Amudo & Inanga, 2009).

2.5 Research Gaps

Most of the highlighted studies in the literature review do not explicitly address the effect of internal Audit on the financial performance of commercial banks in Mogadishu

Somalia. However, Whittington and Pany (2001) only highlighted the factors associated with internal control without going ahead to show how such factors affect performance of an organization. This study was therefore conducted to fill this gap by revealing the relationship between internal control and financial performance in the context of selected commercial banks. Jenny and Pamela (2006) study was carried out among American companies yet the current study was carried out in Somalia. This also necessary the need for the in progress study to expose the effect of internal audit on financial performance in the selected commercial banks in Mogadishu Somalia.

Amudo & Inanga (2009) looked at internal control as a component of internal control system moreover in Somalia yet the current study looked at internal control as a component of internal auditing and how it relates with financial performance of selected commercial banks in Somalia. The content and contextual gaps left by Amudo & Inanga (2009) also justified the need for the current study. A scarcity of literature in the area of study met not enough information, particularly in the developing states like Somalia (Byham and Riddle, 2014). The few that have been conducted in the third world nations have eluded criticism in the criteria, title, scope and methodology used hence the research gaps in terms of literature (Muchiri and Jagongo, 2017).

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introductions

This chapter contains different parts of research methodology and techniques that the researcher would generate data and specifically the following sub-sections was included; research design, Study population, Sample size, sample procedure, data collection instruments, and finally data analysis.

3.1 Research design

A research design defines is set of methods and procedures that outlines or plan used to collect data to analyze answers of research problems. For further research design is systematic approach that researcher uses to conduct the study Creswell (2003). The study adopted a descriptive cross-sectional research design to assess the respondent's views towards internal audit and financial performance of selected commercial banks in Mogadishu Somalia.

According to Kothari (2004), cross-sectional research design involves using different groups of people who differ in the variable interest but share other uniqueness to describe the respondents about the problems. Both qualitative and quantitative approaches were used in this study to collect data and analysis general information order to get clear and in-depth insight into subject matter.

3.2 Study populations

According to Ngechu (2004), a study population should be defined is the study of group of individuals taken from the general populations who share common characteristics such age, sex, group of things. The study population of the study should fit a certain measurement, which the researcher would studying and the population should be same kinds. The target population for this study was the selected commercial banks in Mogadishu. The study population was 150 participants from Dahabshil bank, Salam Somali bank and Premier bank.

3.3 Sample size

A sample is a sub-group or representative selection of a population that is examined or tested to obtain statistical data or information about the whole population (Saunders et al 2007).

The study selected the commercial banks from the target population of 3 selected commercial Banks employees in Mogadishu Somalia. The data was used on the basis of appropriate of the study, significance, and correctness, adequate, cost of achievement of the data and time contribute greatly in sustaining the overall of data gathering. The researcher used a sample size of 109 respondents who were drawn from the target

population of 150 permanent employees in the commercial banks in Mogadishu Somalia.

This sample size was computed using Slovene’s formula for calculating sample sizes, stated as follows;

$n = \frac{N}{1 + N(e)^2}$; Where n= the required sample size, N = target population and e = significance level, given by 0.05.

$$n = \frac{150}{1 + 150(0.05)^2} \quad \mathbf{n = 109}$$

Table 1.1: showing Target population and sample size

Banks	Category	Population	Sample Size	Sampling procedure
Dahabshiil bank	Middle Managers	34	25	Simple random
	Supervisors	20	13	Simple random
	Internal auditors	7	5	Simple random
Salam Somali bank	Middle Managers	24	18	Simple random
	Supervisors	13	9	Simple random
	Internal auditors	4	3	Simple random
Premier bank	Middle Managers	27	20	Simple random
	Supervisors	15	11	Simple random
	Internal auditors	6	5	Simple random
Total		150	109	

3.4 Sampling Procedure

The researcher used sampling methods which is simple random sampling where for each three commercial banks in Mogadishu Somalia, the human resource managers were contacted and list of permanent employees was obtained through which employees in different departments was randomly chosen through of the lottery on the employees.

3.5 Sources of Data

Primary data collection methods were used to collect relevant data to the study, Data collection methods was considered in such a way so that relevant information was collected as much as possible with little inconvenience to respondents.

3.5.1 Primary Data

Primary data was collected from the respondents through questionnaire, Primary data was important in answering questions about the relationship between internal Audit and financial performance of selected commercial banks in Mogadishu Somalia.

3.6 Data Collection Instruments

The researcher used in this study questionnaire.

3.6.1 Questionnaire

The questionnaires were used to collecting data from the different staff in the commercial banks in Mogadishu Somalia. The study employed closed ended questionnaires. The reason for selecting the questionnaires was that it could facilitate mass collection of data from the respondents.

3.7 Validity and Reliability of Research Instruments

This section is important in assuring the validity and reliability of the instruments and thus controlling data generated questionnaires.

3.7.1 Validity

Validity of the instrument was ensured through expert judgment and the researcher made sure the coefficient of the validity at least 70%. The researcher will consult his supervisor for expert knowledge on questionnaire construction. After the assessment of the questionnaire, the necessary adjustment makes bearing in mind of the objectives of the study. According to Amin (2005), validity can be assured in this case by use of content validity index (C.V.I) where the following results obtained questionnaire

3.8 Data analysis

The study explained, described and presented the raw data and was obtained from questionnaires, this these was used to test the effect between variables that. The data on demographic characteristics was analyzed using frequency and percentages, whereas data on internal audit and financial performance was analyze by use of means and standard deviations, lastly regression analysis was used to determine the significant effect between variables and was applied on the three study objectives, The following presents the mean ranges and their interpretations

3.9 Ethical considerations

The researcher carried out the study with full knowledge and authorization of the commercial banks in Mogadishu Somalia. The researcher first of all will acquire an introductory letter from the university which was used to eliminate suspicion. The researcher maintained the honesty and avoiding exceptional and deceptive such as creating false impression in the minds of participants through withholding information, establishing false intimacy or telling lies as this can potentially harm research participants. The researcher after went ahead to select respondents, and the arrange for dates upon which he delivered questionnaire as well as picking them in addition to making appointments to be conducted.

3.10 Limitations of the study

Long distance from the intuition to the area of the study is one of the anticipated limitations the researcher faced. This hindered free movement during the data collection. However the researcher tried as much as possible to move to the area to collect the data in phases to reduce on transport charges. No-response to certain questions and providing of false information was another anticipated limitation to the study. This was due to the fear by some respondents that the researcher could expose confidentiality to public.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

4.0 Introduction

This part introduced, examined and deciphered information gathered from the field. Information investigation and elucidation depended on the exploration destinations and the survey.

4.1: Demographic characteristics of the Respondents

The objective of this study was to show the profile information of respondents as to age, gender, level of education and years spent working.

Sources: Primary Data 2018

Results in table 4.1 demonstrated that lion's share of the respondents spoke to in this investigation were between 20-29 years (39%), trailed by respondents' age between 30-39 years (30%), 17% were 40-49, and 14% 50 years or more.

As indicated by sexual orientation, results demonstrated that 59% were male and 41% of the respondents were female. This plainly inferred larger part of respondents in the Banks in Mogadishu Somalia are run and commanded by men.

Table 4.1 likewise demonstrated that dominant part of the respondents had achieved degree (42%), the second gathering of the respondents were 23% who had just accomplished recognition to the extent training is concerned, the third gathering (18%) had accomplished bosses' degree, and 17% had endorsement and none of them had PhD to the extent instruction is concerned. In terms of years spent in a bank, majority of the respondents (39%) had spent 3-6 years working in the Bank, 30% had spent 11 years and above, followed by those of 2 years and below (18%), 13% had worked for 7-10 years.

4.2 Internal audit

The free factor in this examination was inside review, this variable (IV) was broken into three builds and these were; inward review standard (with five things/questions), proficient competency (with four inquiries) and inner control (with four inquiries). Every one of these inquiries depended on a four point Likert scale whereby respondents were requested to rate the Internal review by demonstrating the degree to which they concur or can't help contradicting each inquiry.

Table 4.2: Internal audit

Internal audit standard	Mean	Std.	Interpretation	Rank
The internal auditors always follow statements of core requirements for the professional practice of internal auditing	3.29	.954	Very satisfactory	1
Internal auditors in this bank always consider cost of the consulting engagement in relation to potential benefits	2.70	1.055	Satisfactory	2
Internal auditors in this bank always exercise due professional care during a consulting engagement	2.65	1.067	Satisfactory	3
Internal auditors in this bank always consider the needs and expectations of clients, including the nature, timing, and communication of engagement results.	2.48	1.102	Unsatisfactory	4
Internal auditors in this bank always consider relative complexity and extent of work needed to achieve the engagement's objectives	1.55	1.355	very unsatisfactory	5
Average mean	2.53	.62093		
Professional competency				
The internal auditors in this bank are professional accountants who have always undertaken the audit function and have substantial involvement in different financial statement audit assignments.	3.42	1.016	Very satisfactory	1
The internal auditors in this bank always apply professional skills specific to financial statement audits	3.30	1.066	Very satisfactory	2
The internal auditors in this bank have always gained a period of relevant practical experience before having substantial involvement in a financial statement audit assignment	2.64	1.033	Satisfactory	3
Before assuming the role of an audit professional, internal auditors' capabilities and competence in this bank have been assessed	2.17	1.219	Unsatisfactory	4
Average mean	2.88	.52796		
Internal control				
The bank has a segregation of duties such as separating authorization, custody, and record keeping roles to prevent fraud or error by one person	3.28	1.076	Very satisfactory	1
In this bank, there is authorization of transactions and review of particular transactions by an appropriate person	2.88	.985	Very satisfactory	2
In this bank, there is retention of records and maintaining documentation to substantiate transactions	2.78	1.092	Satisfactory	3
The managers in this bank always supervise, monitor and observation or review of ongoing operational activities	2.44	1.101	Unsatisfactory	4
Average mean	2.85	.66006		
Overall mean	2.75	.50226		

Sources: Primary Data 2018

Results in table 4.2 demonstrated that inner review of chosen business banks in Mogadishu Somalia was evaluated agreeable and this was shown by the general mean of 2.75, suggesting that the business Banks in Mogadishu Somalia complete inside examining of their books of records genuinely well.

As for interior review standard; results showed that inward review standard was appraised agreeable and this was shown by the normal mean (mean=2.53), suggesting that the inside evaluators dependably pursue proclamations of center necessities for the expert routine with regards to inner inspecting. Results still demonstrated that the interior examiners in this bank dependably consider cost of the counseling commitment in connection to potential advantages (mean=2.70), inside inspectors in this bank dependably practice due expert consideration amid a counseling commitment (mean=2.65), the inner evaluators in this bank dependably think about the requirements and desires for customers, including the nature, timing, and correspondence of commitment results (mean=2.48), anyway the inward reviewers in this bank have dependably neglected to think about relative intricacy and degree of work expected to accomplish the commitment's destinations (mean=1.55).

Regarding proficient competency; results in table 4.2 showed that four things were utilized to quantify this build and it was likewise appraised acceptable and this was shown by the normal mean of 2.88, inferring that the inward examiners in this bank are proficient bookkeepers who have dependably attempted the review work and have significant contribution in various fiscal summary review assignments. The respondents still unequivocally concurred that; inner evaluators in this bank dependably apply proficient abilities explicit to budget report reviews (mean=3.30), the respondents still concurred that; inward inspectors in this bank have dependably picked up a time of significant pragmatic experience before having generous association in a fiscal report

review task (mean=2.64), anyway the respondents differ that; before expecting the job of a review proficient, inside examiners' capacities and skill in this bank have been surveyed (mean=2.17).

With respect to internal control; results in table 4.2 connoted that internal control was also measured using four items (questions) and it was rated satisfactory (mean=2.85), implying that the commercial banks have a segregation of duties such as separating authorization, custody, and record keeping roles to prevent fraud or error by one person. Still results indicated that; in these banks, there is authorization of transactions and review of particular transactions by an appropriate person (mean=2.88), there is retention of records and maintaining documentation to substantiate transactions (mean=2.78), but however the managers in these banks always fail to effectively supervise, monitor and observation or review of ongoing operational activities (mean=2.44).

4.3 Financial performance of commercial banks

Monetary execution of business banks is the needy variable in this investigation and was estimated as far as productivity, dissolvability and liquidity. Every one of these builds had questions which dependent on a four point Likert scale and respondents were solicited to rate the financial execution from business banks by showing the degree to which they concur or can't help contradicting each inquiry, their reactions were dissected utilizing SPSS and outlined utilizing means and standard deviations as demonstrated in tables 4.3;

Table 4.3: Financial performance

Items on financial performance	Mean	Interpretation	Rank
Profitability			
Survival of this bank has been due to the profits you always earn	3.32	Very satisfactory	1
The returns on capital employed is appropriate to the expectations of the bank owner(s)	3.21	Satisfactory	2
You always plan to increase profitability in the bank	2.94	Satisfactory	3
You always plan and meet the desired profits	2.67	Satisfactory	4
Your bank revenue have always exceeded the expenditure	2.47	Unsatisfactory	5
Average mean	2.92	Satisfactory	
Solvency			
Due to high loan recovery levels, profitability has improved over time as a result of our operational risk management system	3.27	Very satisfactory	1
The bank always registered high profits from the services given	3.04	Satisfactory	2
The loan issuing capacity of this bank is steadily growing	2.83	Satisfactory	3
The operational risk management system has enabled us reduce the number of fraud cases, hence recovering most of the loans	2.56	Satisfactory	4
There is effective marketing accounting to loans recovered	2.44	Unsatisfactory	5
Average mean	2.83	Satisfactory	
Liquidity			
The current assets are generative of more profits in your bank	3.26	Very satisfactory	1
The net operating assets sufficiently support your daily operations	2.7	Satisfactory	2
The return on assets is higher than the costs of operation in the previous period	2.61	Satisfactory	3
There has been gained profits on the capital employed by bank	2.53	Satisfactory	4
Your bank has attained expansion because of high returns needed on assets	2.21	Unsatisfactory	5
Average mean	2.66	Satisfactory	
Overall mean	2.80	Satisfactory	

Source: primary data (2018)

Results in table 4.3 demonstrated that money related execution was evaluated agreeable and this was shown by the general mean of 2.80, which suggests that inferring that the business banks in Mogadishu, Somalia dependably utilize their advantages and different assets adequately and productively.

Productivity as the main develop on the needy variable was estimated utilizing 5 things and this was appraised agreeable (mean=2.92), this suggested the investors of business banks in Mogadishu, Somalia get their profits yearly as a sign to elevated amounts of benefits. The survival of this bank has been because of the benefits you generally acquire (mean=3.32), the profits on capital utilized is proper to the desires for the bank owner(s) (mean=3.21), there is dependably an arrangement to expand productivity in the bank (mean=2.94), there is dependably an arrangement and meet the ideal benefits (mean=2.67), yet anyway the banks' income have dependably surpassed the consumption.

Concerning dissolvability; this develop was appraised acceptable and this was demonstrated by the normal mean of 2.83, subsequently inferring that these banks have enough advantages for cover their liabilities. Because of high advance recuperation levels, productivity has enhanced after some time because of our operational hazard the executives framework (mean=3.27), these banks have constantly enlisted high benefits from the administrations given (mean=3.04), credit issuing limit of this bank is consistently developing (mean=2.83), operational hazard the board framework has empowered us diminish the quantity of misrepresentation cases, thus recouping the vast majority of the advances (mean=2.56), there is no compelling advertising with respect to advances recuperated (mean=2.44). Concerning liquidity, results demonstrated this was additionally appraised agreeable and this was shown by the normal mean of 2.66, consequently suggesting that the bank's turnover is sufficient to meet short and long haul commitments. The present resources are generative of more benefits in your bank (mean=3.26), the net working resources adequately bolster your day by day activities (mean=2.70), the arrival on resources is higher than the expenses of activity in the past period (mean=2.61), there has been picked up benefits on the capital utilized by bank (mean=2.53), yet anyway a portion of the banks have neglected to accomplish extension as a result of significant yields required on resources.

Decision on hypothesis

The hypothesis was rejected since the significant value was found to be less than 0.05 (Sig=0.000).

4.4 Objective one; effect of internal audit standard on financial performance of commercial banks in Mogadishu Somalia

Table 4.1 Regression Analysis showing the effect of internal audit standard on financial performance of commercial banks in Mogadishu Somalia

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.623 ^a	.421	.364	.50465

a. Predictors: (Constant), Internal audit standard

ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.670	1	1.670	28.889	.003 ^a
	Residual	24.050	128	.188		
	Total	25.720	129			

a. Predictors: (Constant), Internal audit standard

Coefficients^a

Model

		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.839	.432		4.257	.000
	Internal audit standard	.473	.159	.255	2.981	.000

a. Dependent Variable: Financial performance of commercial banks

Regression analysis results in the Model Summary table revealed that internal audit standard accounted for 42.1% on financial performance of commercial banks in Mogadishu Somalia and this was indicated by r-squared of 0.421, implying that internal audit standard as an aspect of internal audit contributes to the financial performance of commercial banks in Mogadishu Somalia.

The ANOVA table indicated that internal audit standard as a system of internal audit significantly affects the financial performance of commercial banks and this was indicated by the F-value=8.889 and Sig-value=.003, since the sig. value (0.000) was less than 0.05 and which is the maximum level of significance required to declare a significant effect. This implies that internal audit standard as an aspect of internal audit highly contributes to the financial performance of commercial banks in Mogadishu Somalia. The coefficients table indicated that considering the standard error, internal audit standard significantly influence the financial performance of commercial banks in Mogadishu Somalia ($\beta=0.473$, Sig=0.000).

Decision on hypothesis

The hypothesis was rejected since the significant value was found to be less than 0.05 (Sig=0.000).

4.5 Objective two; the effect of professional competency on Financial performance of commercial banks in Mogadishu Somalia

Table 4.2: Regression Analysis showing the effect of professional competency on financial performance of commercial banks in Mogadishu Somalia

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.546 ^a	.398	.291	.52246

a. Predictors: (Constant), Professional competency

ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	11.953	1	11.953	43.788	.000 ^a
	Residual	28.115	103	.273		
	Total	40.068	104			

a. Predictors: (Constant), Professional competency

b. Dependent Variable: Financial performance of commercial banks

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.754	.329		2.291	.004
	Professional competency	.777	.117	.546	6.617	.000

a. Dependent Variable: Financial performance of commercial banks

Regression analysis results in the Model Summary table indicated that professional competency accounted for 39.8% on financial performance of commercial banks in Mogadishu Somalia and this was indicated by r-squared of 0.398, implying that professional competency as a system of internal audit significantly contributes 39.8% on the financial performance of commercial banks in Mogadishu Somalia.

The ANOVA table indicated that professional competency significantly affects financial performance of commercial banks and this was indicated by the F-value=43.788 and Sig-value=.000, since the sig. value (0.000) was less than 0.05 and which is the maximum level of significance required to declare a significant effect. This implies that professional competency as a system of internal audit highly affects financial

performance of commercial banks in Mogadishu Somalia. The coefficients table indicated that considering the standard error, professional competency significantly affects financial performance of commercial banks ($\beta=0.777$, Sig=0.000).

Decision on hypothesis

The hypothesis was rejected since the significant value was found to be less than 0.05 (Sig=0.000).

4.6 Objective three; effect of internal control on Financial performance of commercial banks in Mogadishu Somalia

Table 4.3: Regression Analysis for the effect of internal control on Financial performance of commercial banks in Mogadishu Somalia

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.755 ^a	.570	.565	.33660

a. Predictors: (Constant), Internal control

ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	15.448	1	15.448	136.347	.000 ^a
	Residual	11.670	103	.113		
	Total	27.117	104			

a. Predictors: (Constant), Internal control

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.755 ^a	.570	.565	.33660

b. Dependent Variable: Financial performance of commercial banks

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.307	.212		1.448	.001
	Internal control	.884	.076	.755	11.677	.000

a. Dependent Variable: Financial performance of commercial banks

Regression analysis results in the model Summary table indicated that the internal control significantly affects financial performance of commercial banks in Mogadishu Somalia at a rate of 57% and this was indicated by r-squared of 0.57, hence implying that internal control significantly influences the financial performance of commercial banks in Mogadishu Somalia.

The ANOVA table indicated a positive significant effect internal control has on Financial performance of commercial banks and this was indicated by the positive F-value=136.347 and Sig-value=0.000, since the sig. value (0.000) was less than 0.05

and which is the maximum level of significance required to declare a significant effect. This implies that internal control highly affects the financial performance of commercial banks in Mogadishu Somalia. Still this implied that high level of internal control improves the level of financial performance of commercial banks and poor internal control system reduces it. The coefficients table indicated that considering the standard error, internal control significantly affects the Financial performance of commercial banks ($\beta=0.884$, Sig=0. 000).

Decision on hypothesis

The hypothesis was rejected since the significant value was found to be less than 0.05 (Sig=0. 000).

4.7 Multiple Linear Regression

Table 4.7: Multiple Linear Regression analysis between the Dependent and Independent Variables

Source: primary data, 2018

Coefficient^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.062	.239		7.143	.000
	Internal audit standard	.375	.088	.428	7.731	.000
	Professional competency	.356	.078	.246	6.730	.000
	Internal control	.421	.034	.310	1.951	.000

a. Dependent Variable: Financial performance of commercial banks

$$y = a + b_1x_1 + b_2x_2 + b_3x_3$$

Where; y =DV (dependent variable), a =constant, b = Beta, x =independent variables (IVs)

X_1 =Internal audit standard

X_2 = Professional competency

X_3 =Internal control

y =Financial performance of commercial banks examination results in table 4.7 uncovered that inner review represented 76.1% on monetary execution of business banks in Mogadishu Somalia and this was shown by balanced r squared of 0.761, this infer inside review essentially influences money related execution of business banks in Mogadishu Somalia, and this is demonstrated by the F -value=0.513, and Sig =0. 001. The coefficients table demonstrated that of the considerable number of parts of inner review, inward control represented the greatest impact on money related execution of business banks in Mogadishu Somalia (β =0.421, Sig =0. 001).

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter focuses on the findings, conclusions; recommendations based on the conclusions of this study and suggested areas that need further research following the study objectives;

5.1 Discussions on findings

This investigation was set to discover the impact of interior review framework on Financial execution of business banks in Mogadishu, Somalia, three explicit goals guided this examination and these were I) deciding the impact of inner review standard on the budgetary execution in business banks Mogadishu Somalia; ii) to build up the impact of expert competency on the money related execution in business banks Mogadishu Somalia and (iii) to distinguish the impact of inward control on Financial execution of business banks in Mogadishu Somalia.

5.1.1 Objective one; the Findings effect of internal audit standard on financial performance of commercial banks

The discoveries showed that inside review standard essentially influences money related execution of business banks in Mogadishu Somalia; this impact subsequently infers that inward review standard as an inner review framework adds to budgetary execution of business banks in Mogadishu Somalia. This finding is in accordance with Ndamenenu (2011) who noticed that the inward review standard gives statement that the consequence of reviews and different surveys are quickly solid disapproved. Be that as it may, Ndamenenu (2011) took a gander at checking as a part of Internal review standard and its commitments to authoritative productivity and viability in Somalia yet the present examination took a gander at observing as a segment of inward inspecting standard and how it relates with budgetary execution of chose business banks in Mogadishu Somalia. According to Seguya (2015), all components of Internal Audit

standard Function including internal control, internal auditing processes and corporate governance

Processes have a significant positive effect on management of public funds. However, Seguya (2015) left a content gap that was filled by the current study since his study focused on internal auditing and Management of public Funds in a public sector yet the current study focused on internal auditing and financial performance of a private company in Somalia

Ljubisavljević & Jovanovi (2011) observed that internal audit standard makes a great involvement to the accomplishment of business goals, and the execution of strategies for their accomplishment. However, Ljubisavljevic & Jovanovi (2011) left both content and contextual gaps since they made their observations in reference to internal audit and achievement of company goals moreover among small and medium commercial banks in Somalia yet the current study was conducted on internal auditing and financial performance in the context of selected commercial banks in Mogadishu Somalia. Hutchinson and Zain (2009) also determined the relationship between internal audit standard creates excellence audit, practice and bookkeeping requirement and firm presentation shows a tough correlation between internal audit and financial performance with opportunities of high development and that this optimistic link is decreased by the increasing of internal audit standard. However, Hutchinson and Zain (2009) also left both content and contextual gaps since they focused on internal audit quality and firm performance moreover in Somalia yet the current study was conducted on internal auditing and financial performance in the context of selected commercial banks in Somalia.

According to Kaplan (2008), failure to have effective internal audit standard could lead to financial collapse of an organization. The Internal Audit standard function is often charged with the responsibility of monitoring the internal audit system where they examine the controls and control system; identify where controls have failed so that these failures can be rectified and also make recommendations to management for new

and improved systems (Kaplan, 2008). However, Kaplan (2008) simply focused on explaining how internal auditors carry out monitoring without showing how and to what extent it relates with financial performance of organisations.

5.1.2 Objective two; the findings effect of professional competency on Financial performance of commercial banks

The discoveries uncovered that there is a noteworthy impact proficient competency has on budgetary execution of business banks in Mogadishu Somalia, this likewise inferred high expert competency enhances the dimension of monetary execution of business banks in Mogadishu Somalia and expert inadequacy diminishes it. This finding concurs with Uecker et al. (2015) who used perspective of relative forcefulness among internal and outside evaluators to look at the revelation of corporate irregularities. Inside assessors accept a fundamental employment in coercion area with most cheats perceived by the inside audit work. While experience and limit are obviously basic in the area system, certain individual characteristics may be farsighted of the capacity to recognize deception. Perceiving how analysts are seen, and how these perceptions lead to feelings with respect to their acknowledgment limits, is a basic beginning stage in relating character characteristics to the amplexness of evaluators. In view of the centrality of ground-breaking deception revelation, any evaluations that can enhance the feasibility of analysts should be of regard (Norman et al., 2016).

Asare (2009) contended that the expert competency capacity can be perceived as concerning three noteworthy fundamentals, in other words the evaluation and improvement of inner inspecting, control and specialist forms in a business. In any case, this examination was not quite the same as Asare (2009) since it concentrated on expert competency in connection to interior reviewing to build up how each of these relates with budgetary execution of chose business banks in Mogadishu Somalia. Interior inspecting, control and administration incorporates the strategies and methods perceived to guarantee the achievement of objectives and involve the reasonable examination of hazard, the expert competency gives the organization reports and

honest data to that the organization they go to a choice the social and principled benchmarks set for business esteem and specialists.

The bank's exchanges and task they require for expert competency appropriate for hazard running methodologies in the business banks division exudes from the trouble and dynamism of the working areas, rising needs of individuals joined with general flightiness example and diminishing of riches for national advancement (Asare, 2009). The creator further noticed the inner reviewer's capacity in hazard money related administration concerning assessing and observing the danger that the business faces, prescribing the controls basic to direct those dangers and assessing the exchange offs essential for the association to doing its vital and arranged objectives. Be that as it may, Asare (2009) essentially centered around recognizing the interior reviewer's job in hazard monetary administration and assessment in addition in the business without introduction how and to what degree chance budgetary estimation relates with money related execution of associations among business banks claimed organizations like chosen business banks in Mogadishu Somalia.

Singh (2015) discovered that powerful expert competency is basic to any bank for accomplishing budgetary soundness. In Ogboi and Unuafe (2013) led an investigation on effect of expert competency on budgetary Performance of Commercial Banks reasoned that bank's money related execution had been influenced by sound proficient competency and capital ampleness.

Mutebile (2010) additionally noticed that business banks need to enhance their monetary inner examining capacities so as to endure the consistently changing keeping money condition must execute proficient competency to stay away from of these issue of dangers Okaro (2013) likewise noticed that appropriate interior evaluating is fundamental for the survival of a bank, and it empowers the executives to assign assets to chance units dependent on a tradeoff among hazard and return potential. Be that as it may, Okaro (2013) completed his investigation among business banks in addition the

present examination was done in Commercial banks in Mogadishu Somalia. The present investigation likewise tried to fill the relevant holes left by Okaro (2013).

5.1.3 Objective three; the findings effect of internal control on Financial performance of commercial banks

The discoveries uncovered that there is a noteworthy impact proficient competency has on budgetary execution of business banks in Mogadishu Somalia, this likewise inferred high expert competency enhances the dimension of monetary execution of business banks in Mogadishu Somalia and expert inadequacy diminishes it. This finding concurs with Uecker et al. (2015) who used perspective of relative forcefulness among internal and outside evaluators to look at the revelation of corporate irregularities. Inside assessors accept a fundamental employment in coercion area with most cheats perceived by the inside audit work. While experience and limit are obviously basic in the area system, certain individual characteristics may be farsighted of the capacity to recognize deception. Perceiving how analysts are seen, and how these perceptions lead to feelings with respect to their acknowledgment limits, is a basic beginning stage in relating character characteristics to the amplexness of evaluators. In view of the centrality of ground-breaking deception revelation, any evaluations that can enhance the feasibility of analysts should be of regard (Norman et al., 2016).

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5.2 Conclusions

5.2.1 Objective one; the effect of internal audit standards on financial performance of commercial banks

As indicated by the discoveries inner review norms has a positive critical impact on budgetary execution of business banks in Mogadishu Somalia. Consequently presuming that applying of inner review principles as an inside evaluating can prompt the enhancement in the money related execution of business banks since it increments on the quality and productivity amid interior inspecting.

5.2.2 Objective two; the effect of professional competency on financial performance of commercial banks

As per the examination discoveries proficient competency significantly affects money related execution of business banks in Mogadishu Somalia, subsequently inferring that the monetary execution of business banks can be enhanced once proficient competency is adequately chipped away at in light of the fact that it builds the client responsiveness by decreasing the interest hole therefore offering fulfillment to the end client by benefiting the ideal budgetary administrations when required.

5.2.3 Objective three; the effect of internal control on financial performance of commercial banks

As per the examination discoveries proficient competency significantly affects money related execution of business banks in Mogadishu Somalia, subsequently inferring that the monetary execution of business banks can be enhanced once proficient competency is adequately chipped away at in light of the fact that it builds the client responsiveness by decreasing the interest hole therefore offering fulfillment to the end client by benefiting the ideal budgetary administrations when required.

5.3 Recommendation

Commercial banks' owners should develop a good system to monitor record and track all the business transactions so that there is effectiveness in internal auditing and ensure to cover loopholes in the system to enhance financial performance of commercial banks.

Commercial banks' owners and managers should develop an effective professional competency system for example alternatives ways of following audit ethics which makes professional competency easy and flexible so as to boost financial performance of commercial banks.

Commercial banks' owners should develop an effective internal control system and make sure they always have an audit plan that enables them have effective internal audit reports at all times, this will help them control the business transactions and hence increase on the financial performance of commercial banks in Mogadishu Somalia.

5.4 Contribution to knowledge

The following are the internal auditing measures that can be used among commercial banks in Mogadishu Somalia; internal audit standards, professional competency and internal control. The following are the measurements of financial performance of commercial banks in Mogadishu; profitability, solvency and liquidity. One of the most prominent findings from this study is the fact that it has provided evidence to support the fact that internal auditing can improve the state of financial performance of

commercial banks in Mogadishu. The research gap that has been filled by this study, it is the fact that the study covered both the content and geographical gap of internal auditing and financial performance of commercial banks. Another important revelation that can be attributed to this study is that it is now clear that internal auditing is somehow lacking among commercial banks in Mogadishu Somalia, little is done through to improve financial performance of these banks in Mogadishu Somalia.

5.5 Areas for further research

Prospective researchers and even students are encouraged to research on the following areas;

- 1) Professional competency and profitability of commercial banks in Mogadishu Somalia.
- 2) Internal control and liquidity of commercial Banks in Mogadishu Somalia.
- 3) The challenges facing the financial performance of commercial banks in Mogadishu Somalia.

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APPENDICES

APPENDIX I: QUESTIONAIRES

DEAR RESPONDENT

My name is **Ahmed Abdullahi Salad, Reg. 1174-05026-13945** a student of Kampala International University pursuing a Masters of Business Administration. I am currently carrying out a study about **“Internal Audit and Financial Performance of selected commercial banks in Mogadishu Somalia.”** as a requirement for the award of Masters of Business Administration. I humbly request you to be one of the participants in this study and your cooperation will be of great importance to this study.

SECTION A: BACKGROUND INFORMATION

1. Age.

- | | |
|----------------|--------------------------|
| 20 -29 years | <input type="checkbox"/> |
| Between 30-39 | <input type="checkbox"/> |
| Between 40-49 | <input type="checkbox"/> |
| 50 years above | <input type="checkbox"/> |

2. Gender

- | | |
|--------|--------------------------|
| Male | <input type="checkbox"/> |
| Female | <input type="checkbox"/> |

3. Educational Qualification

- | | |
|--------------------------|--------------------------|
| <input type="checkbox"/> | |
| <input type="checkbox"/> | |
| Certificate | |
| Diploma | |
| Degree | <input type="checkbox"/> |
| Masters | <input type="checkbox"/> |

4. Number of years experience

- i) 2 years & below
- ii) 3-6 years
- iii) 7-10 years
- iv) 11 years above

SECTION B: QUESTIONNAIRE TO DETERMINE INTERNAL AUDIT IN COMMERCIAL BANKS

Instruction: As honestly as you can, indicate the extent to which the internal auditing is carried out in your company. Tick the right number corresponding with each question key:

1= Strongly Agree 2= Agree 3= Disagree 4= Strongly Disagree

Response Mode	Description	Interpretation
Strongly Agree	You agree with no doubt at all	Very satisfactory
Agree	You agree with some doubt	Satisfactory
Disagree	You disagree with some doubt	unsatisfactory
Strongly Disagree	You disagree with no doubt at all	very unsatisfactory

SECTION C: Internal audit

Items on internal Audit of the commercial banks		RANKING			
S/N	Items Internal Audit Standards	4	3	2	1
1	The internal auditors always follow statements of core requirements for the professional practice of internal auditing				
2	Internal auditors in this bank always consider cost of the consulting engagement in relation to potential benefits				
3	Internal auditors in this bank always exercise due professional care during a consulting engagement				
4	Internal auditors in this bank always consider the needs and expectations of clients, including the nature, timing, and communication of engagement results.				
5	Internal auditors in this bank always consider relative complexity and extent of work needed to achieve the engagement's objectives				
	Professional competency				
1	The internal auditors in this bank are professional accountants who have always undertaken the audit function and have substantial involvement in different financial statement audit assignments.				
2	The internal auditors in this bank always apply professional skills specific to financial statement audits				
3	The internal auditors in this bank have always gained a period of relevant practical experience before having substantial involvement in a financial statement audit assignment				
4	Before assuming the role of an audit professional, internal auditors' capabilities and competence in this bank have been assessed				
	Internal Control				
1	The bank has a segregation of duties such as separating authorization, custody, and record keeping roles to prevent fraud or error by one person				
2	In this bank, there is authorization of transactions and review of particular transactions by an appropriate person				
3	In this bank, there is retention of records and maintaining documentation to substantiate transactions				
4	The managers in this bank always supervise, monitor and observation or review of ongoing operational activities				

SECTION D: Financial performance

Items on financial performance of the commercial banks		RANKING			
S/N	Profitability	4	3	2	1
1	Survival of this bank has been due to the profits you always earn				
2	The returns on capital employed is appropriate to the expectations of the bank owner(s)				
3	You always plan to increase profitability in the bank				
4	You always plan and meet the desired profits				
5	Your bank revenue have always exceeded the expenditure				
	Solvency				
1	Due to high loan recovery levels, profitability has improved over time as a result of our operational risk management system				
2	The bank always registered high profits from the services given				
3	The loan issuing capacity of this bank is steadily growing				
4	The operational risk management system has enabled us reduce the number of fraud cases, hence recovering most of the loans				
5	There is effective marketing accounting to loans recovered				
	Liquidity				
1	The current assets are generative of more profits in your bank				
2	The net operating assets sufficiently support your daily operations				
3	The return on assets is higher than the costs of operation in the previous period				
4	There has been gained profits on the capital employed by bank				
5	Your bank has attained expansion because of high returns needed on assets				

Thanks for cooperation